APPENDIX

Revenue Act of 1932, c. 209, 47 Stat. 169:

> SEC. 23. DEDUCTIONS FROM GROSS INCOME. In computing net income there shall be allowed as deductions:
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>
> (j) *Bad Debts.*—Debts ascertained to be worthless and charged off within the taxable year (or, in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts); and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt, in an amount not in excess of the part charged off within the taxable year, as a deduction.
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> * * * * *

Section 23(k) of the Revenue Act of 1934, c. 277, 48 Stat. 680, and Section 23(k) of the Revenue Act of 1936, c. 690, 49 Stat. 1648, are identical with Section 23(j) of the Revenue Act of 1932, above.

Revenue Act of 1938, c. 289, 52 Stat. 447:

> SEC. 113. ADJUSTED BASIS FOR DETERMINING GAIN OR LOSS.
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>
> (b) *Adjusted Basis.*—The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under subsection (a), adjusted as hereinafter provided.

(1) *General Rule.*—Proper adjustment in respect of the property shall in all cases be made—

(A) for expenditures, receipts, losses, or other items, properly chargeable to capital account, including taxes and other carrying charges on unimproved and unproductive real property, but no such adjustment shall be made for taxes or other carrying charges for which deductions have been taken by the taxpayer in determining net income for the taxable year or prior taxable years;

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Section 113(b) (1) (A) of the Internal Revenue Code (26 U. S. C. 113), is identical with Section 113(b) (1) (A) of the Revenue Act of 1938, above.

Treasury Regulations 77, promulgated under the Revenue Act of 1932:

ART. 191. *Bad debts.*— * * *

* * * * *

Where banks or other corporations which are subject to supervision by Federal authorities (or by State authorities maintaining substantially equivalent standards) in obedience to the specific orders, or in accordance with the general policy of such supervisory officers, charge off debts in whole or in part, such debts shall, in the absence of affirmative evidence clearly establishing the contrary, be presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be.

Treasury Regulations 86, promulgated under the Revenue Act of 1934:

ART. 23 (k)–1. *Bad debts.*—* * *

* * * * *

Federal or State authorities incident to the regulation of banks and certain other corporations may require that debts be charged off in whole or in part. If, in any such case, the basis of the requirement is the worthlessness or partial recoverability of the debt, as the case may be, such charging off will, for income tax purposes, be considered prima facie evidence of worthlessness; but if the charging off is due to market fluctuations, or if no reasonable attempt has been made to determine to what extent recovery may be made, no deduction for income tax purposes of the amount so charged off can be allowed.

Treasury Regulations 101, promulgated under the Revenue Act of 1938:

ART. 23 (k)–1. *Bad debts.*—* * *

* * * * *

(c) Where banks or other corporations which are subject to supervision by Federal authorities (or by State authorities maintaining substantially equivalent standards) in obedience to the specific orders of such supervisory officers charge off debts in whole or in part, such debts shall be conclusively presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be, but in order that any amount of the charge-off may be allowed as a deduction for any taxable year it must be shown that the charge-off took place within such taxable year.

Section 19.23 (k)–1 of Treasury Regulations 103, promulgated under the Internal Revenue Code, is identical with Article 23 (k)–1 of Treasury Regulations 101, above.

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